

EXECUTIVE SUMMARY



The following Executive Summary of the EFC annual report highlights the major accomplishments of the Environmental Finance Center (EFC) Network for 2004. The EFC Network is a university-based technical assistance program offering educational resources and financial outreach services to communities and local governments as well as the small business community on the how-to-pay issues of compliance with environmental standards.

Currently, the EFC Network is made up of nine centers located in eight Federal Regions at the following universities: University of Southern Maine (Region 1), Syracuse University (Region 2), University of Maryland (Region 3), University of North Carolina at Chapel Hill (Region 4), University of Louisville (Region 4), Cleveland State University (Region 5), New Mexico Institute of Mining and Technology (Region 6), California State University at Hayward (Region 9), and Boise State University (Region 10). The EFCs operate as a national association to foster greater collaboration, enhance project opportunities and encourage partnerships, as well as to clarify the role of the Environmental Finance Centers as a collaborative network.

Located in the Office of Enterprise Technology and Innovation within the Office of the Chief Financial Officer, the Environmental Finance Program works with the EFC Network to set priorities and coordinate and plan activities. The financial outreach services of the Network concentrates on identifying ways of building the state and local financial and managerial capacity necessary to carry out environmental programs and help create sustainable environmental systems in the public and private sectors as well as increasing private sector investment in environmental systems.

Each year since 1995 the Network has produced an annual report that documents the activities and the results achieved by the EFCs. These annual reports are available via the Office of the Chief Financial Officer's web site at <http://www.epa.gov/ocfo/index.htm> or directly on the Environmental Finance Program's website at <http://www.epa.gov/efinpage/efc.htm>. This website, and the comprehensive and innovative information contained within it, has become a highly effective means of communicating all aspects of the how-to-pay issues confronting the regulated community.

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Region 1 – New England Environmental Finance Center at University of Southern Maine

The EFC at the University of Southern Maine (NE/EFC) serves the six New England states (U.S. EPA Region 1). The purpose of the NE/EFC is to advance the understanding and practice of “smart growth” throughout New England. From model ordinances to financial instruments, a wide variety of smart growth tools are now available to local land use decision makers and stakeholders. One new tool the NE/EFC, in collaboration with EPA Region 1, created was the Next Communities Initiative (NCI), which is designed to address the effective use and implementation of Smart Growth Principles and tools at the local government level.

Another initiative was a program in water-related finance and outreach programming. The NE/EFC brought drinking water technical assistance providers together to discuss services currently provided to small water systems in Maine, identify unmet needs of the community of technical assistance providers and, collaborate on ways to address these needs. Other efforts included development of an online directory of watershed

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funding sources for Region 1, in collaboration with the Region 10 EFC and EPA’s Office of Wetlands, Oceans and Watersheds. This directory will function in concert with an existing directory for Region 10 and will be available online in 2005.

In 2004 the NE/EFC published a book: “*Changing Maine, 1960-2010*.” Topics addressed include energy, the environment, land use and sprawl, forestry, agriculture, and fisheries.

Also published by the NE/EFC, “Some model amendments to Maine (and other states’) land use control legislation” in the *Maine Law Review*, which emanated directly from the NE/EFC’s roundtable discussions in 2002 and is designed to address the legal obstacles to smart growth identified by roundtable participants.

Also in 2004, the NE/EFC developed most of a GIS inventory of protected lands using a Geographic Markup Tool to allow online upgrades to conservation lands data sets.

Region 2 – EFC at Syracuse University at the Maxwell School of Citizenship and Public Affairs

The Public Management and Finance Program (PMFP), a hallmark project of the EFC, provided assistance to more than fifty communities in New York. The PMFP has served as a means for municipal professionals and leaders from EPA Region 2 communities to learn, explore, and discuss public finance and other issues relative to environmental improvements. The PMFP alliances and collaboration among technical assistance providers has been instrumental in removing gaps in the delivery of technical assistance to these communities.

Other services provided by the EFC during 2004 included assistance with rate setting and analysis, facilitation of processes relative to environmental improvement, training events focused on environmental issues, and analyses of funding options. Of equal importance during 2004 were activities associated with the Source Water Protection project, performed under the leadership of the New Mexico EFC. The source water activities have led to support from a private foundation to build upon the work accomplished through EPA support.

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With regard to stakeholder outreach and education, the EFC has developed a distinctive niche with respect to generating public interest in environmental infrastructure projects. By customizing the outreach strategy for each community, the EFC found that public education and outreach strategies were successful in relaying an understanding about the impetus for a project, the process of project development and the derivation of the household cost.

The EFC has developed a unique role in the provision of customized training. In order to impart the greatest benefit to communities without duplicating existing training available, the EFC collaborates with partners, such as the Rural Water Association, RCAP Solutions, NY Conference of Mayors, Association of Towns and more, to create customized instructional formats focused on smaller groups and individuals, and incorporated a multitude of subject areas. During 2004, the EFC invited more than 1,400 local government officials and technical assistance providers to its specialized training events. The subjects addressed in these trainings included public finance, capital planning and budgeting, municipal bond issuance, computer finance models, rate setting and analysis, asset management, environmental conflict management and resolution, project financing procedures and regulations, and *Process Communication Management*.

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Region 3 – EFC at the University of Maryland

On September 1, 2004, the Environmental Finance Center switched from the University's Sea Grant Program to the Institute for Governmental Service at the University of Maryland. Leveraging the resources of three established University of Maryland programs – the EFC, IGS, and Sea Grant – will result in new and innovative approaches to building sustainable, livable communities throughout the Chesapeake Bay region.

The Maryland EFC continues its focus on providing training and information on watershed-based financing; investigating new and innovative uses of funding sources and emerging markets; assisting communities and local governments with capacity development; developing effective outreach and education tools for innovative and sustainable environmental finance approaches, and working with the Chesapeake Bay Program, the University of Maryland Institute for Governmental Service, and Maryland Sea Grant College.

Much of the EFC's work has been to assist community leaders throughout the region in their efforts to finance the restoration and protection of the Chesapeake

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Bay. In an effort to identify funding opportunities for financing this challenge, the governors of the Bay states authorized the formation of the Chesapeake Bay Watershed Blue Ribbon Finance Panel and requested the EFC's assistance in staffing the Blue Ribbon Finance Panel. The Panel was charged with evaluating possible funding sources and financing mechanisms for reducing nutrient and sediment pollution throughout the Bay watershed. The EFC played an integral role in developing program strategies, providing technical support, as well as facilitating and coordinating panelist discussions. The EFC has been presenting the final report, *Saving a National Treasure: Financing the Cleanup of the Chesapeake Bay*, at Tributary Team meetings around Maryland.

The EFC continued to offer rate design and training workshops to elected officials, utility operators, engineers and others interested in the concepts and technicalities of properly managing and sustaining utility systems. The previous years' training array was broadened by the addition of several new courses outlining overall management and asset preservation practices that can help the utility continue functioning over time. In an effort to encourage community systems to take ownership of the rate analysis process, the EFC shifted its focus from doing rate analyses to offering individual training on the rate analysis process itself, coupled with training and assistance to system personnel as they perform the analysis process themselves.

Region 4 – EFC at University of North Carolina at Chapel Hill

The UNC EFC sees one of its major roles as increasing the capacity of other organizations to address the financial aspects of environmental protection. As part of that effort, the EFC has been asked to help integrate environmental management concepts into the UNC School of Government resulting in a comprehensive two-day course on capital finance for local government utility, management, and finance officials. As part of that effort, the UNC EFC developed presentations on using municipal budgets effectively to encourage and monitor environmental management. Other trainings include capital planning and budgeting, and capital budgeting with a water and wastewater capital overview.

Leadership has become a topic of great interest nationally for public water and wastewater utility managers. The UNC EFC presented financial management sessions for utility managers from across the country at the Kenan-Flagler Business School's executive education program designed for public utility leaders.

The EFC participated in an annual work session for Region 4 tribal environmental managers. After making a presentation about different financial management tools and strategies available to communities, the EFC met with several tribes in the process of developing water systems.

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The EFC devoted a significant amount of resources in 2004 to providing direct support to utility managers and practitioners throughout the Southeast. This technical assistance included e-mail and phone consultations; management of listservs; site visits; and the publication of guides and updates on key issues.

In addition to direct community outreach, the UNC EFC works with decision makers to assess the effectiveness of environmental finance policies at a regional or state level, and to improve those policies as a way of supporting local efforts. Major policy efforts in 2004 included assessing drinking water and wastewater infrastructure funding in Appalachia and dissemination of the results; preparation of an inventory of different funding approaches for on-site wastewater systems; participation in an advisory panel addressing agricultural waste disposal challenges; participation with the North Carolina State Revolving Fund Coordinator to present information on disadvantaged community programs, and developing a statewide model stormwater ordinance.

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Region 4 – EFC at University of Louisville

The Louisville EFC continued to broaden its training and technical assistance services with respect to contaminated land revitalization, working with a number of different cities on brownfield redevelopment, smart growth planning for area development agencies, and working with municipalities and states on the roles environmental insurance can play in mitigating risks and attracting investments in reclamation.

The EFC also hosted the international conference on planning for urban sustainability from which it is preparing a series of papers for dissemination. As part of its work with EPA, the EFC provided input to EPA's Environmental Financial Advisory Board as it addressed RCRA financial assurance and ways of providing greater certainty over firms' financial capacity to remediate after completing ongoing operations.

Another major effort for the EFC is the continued expansion of its *Practice Guides* series of briefing papers for local officials and local volunteer and citizen committee members. The series is focused on aspects of land use planning and information systems for promotion of urban infill, brownfield redevelopment and other aspects of smarter urban growth.

The Center also provided direct technical assistance services to clients in Region 4 and elsewhere, and contributed to providing training and technical assistance through a range of other publications and presentations. These dissemination products have drawn on information collection through EFC funding, but, in most instances, also have drawn from or built on data gathered and research conducted by Center Staff and Associates. Publications span professional journals, trade press and academic outlets, since all influence policy discussions and can contribute to more effective and cost-efficient environmental finance practice.

The Louisville EFC is continuing expansion of its *Practice Guides* series of briefing papers for local officials and local volunteer and citizen committee members

As part of its work with the Environmental Financial Advisory Board (EFAB), the EFC continued work on financial assurance requirements under RCRA regulations in order to examine some issues associated with adding a new financial obligation for potentially polluting small businesses.

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Region 5 – EFC at the Maxine Levin College of Urban Affairs at Cleveland State University

The Great Lakes Environmental Finance Center (GLEFC) provides technical assistance, training, and applied research as a resource for state and local governments, and public, private, and non-profit organizations in EPA's Region 5. Services include financial and economic analysis and strategies; policy analysis and planning; brownfields community advisory services; research and information services; and training seminars and conferences. The GLEFC utilizes many tools to assist clients, including financial and budget analysis, market and impact analysis, best practice reviews, training seminars and conferences, focus groups and community visioning/strategic planning processes, and environmental planning and program evaluation.

GLEFC operations include several new projects, as well as projects that are driven by continuing partnerships with federal, state and local governments spanning two or more years, and second and third phases of externally funded projects. Brownfield technical assistance has been a key program for the GLEFC, which is in its fourth year of convening the Brownfields One-

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Stop-Shop (BOSS) forum of federal, state, and local government economic development and environmental officials, commercial and investment bankers, insurance executives, foundation officials, and developers to review brownfield redevelopment projects seeking financial and programmatic support. In 2004, the GLEFC merged the BOSS Forum with the Ohio Brownfield Finance Partnership convened by the Ohio Water Development Authority and moved the site of the Forum meetings to capitalize on the emerging state-wide market for brownfield redevelopment projects.

The GLEFC also focused on several other urban projects designed to reclaim environmentally contaminated properties. To list just a few: the GLEFC developed an industrial land bank strategy and business plan for the City of Cleveland to enable the City to acquire and assemble larger landscapes of property for economic development purposes. The GLEFC assisted Cuyahoga County in defining the criteria for selecting environmental engineering firms to conduct brownfield site assessments. At the request of EPA's Region 5 office, the GLEFC initiated a national best practices scan to identify innovation in financing lead remediation and abatement programs. The best practice scan is being conducted for a consortium of local and federal agencies.

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Region 6 – EFC at the New Mexico Institute of Mining and Technology

The New Mexico EFC's core mission is to help state, local, and tribal governments meet environmental infrastructure needs and regulatory compliance through state and local capacity building and technical information transfer. Capacity building includes enhancing technical, managerial, and financial capabilities to achieve consistent and sustainable regulatory compliance and to develop sustainable infrastructure.

The NM EFC assists in local capacity building by examining alternative approaches to meeting regulatory compliance or

The NM EFC's core mission is to help state, local, and tribal governments meet environmental needs through capacity building and technical information transfer.

environmental infrastructure needs; empowering communities to act as the “drivers” for their own projects; assisting with the procurement of professional services; presenting funding alternatives; acting as a bridge between federal, state, local and tribal governments; presenting neutral analyses of issues or projects, and gathering stakeholder input.

The NM EFC has been extremely active over the past year and has experienced significant growth in its program activities. Some major projects included: capacity development activities for Region 6 states; capacity development program for New Mexico; capacity development for Tribal water systems; Tribal Operator certification program; Pilot Project on the feasibility analysis of water supply for small public water systems; resource-based or unified source water protection project; independent analysis of FCS leak detection technology for Albuquerque; water system collaboration pilot project for New Mexico; water system collaboration project for New Mexico; and the Public Management Finance Program (PMFP).

As an illustration of some of their work with Tribes, in 2004 the New Mexico EFC continued its efforts to assist Tribal water systems improve public health protection through stepped up activities involving the Tribal Operator Certification Program. One of the measurements of the overall effectiveness of the program is the compliance record of the Tribal water systems.

In addition, the NM EFC intends to introduce several new initiatives for 2005 that build upon the work efforts of the EFC for the past several years. Among them are advanced asset management for smaller water systems and work with a Tribal water system to test a new technology for arsenic removal.

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Region 9 – EFC at California State University at Hayward

The Environmental Finance Center located at California State University is working for greener communities through cleaner business by advancing the environmental industry and promoting pollution prevention and source reduction. The EFC's mission is three-pronged: 1) to encourage business to adopt source reduction and pollution prevention; 2) to encourage consumers to choose green business and green business products, and 3) to help communities promote cleaner business.

To that end, working with both the private and public sectors, EFC9 pursues its mission through numerous tools including green business development, environmental mediation, environmental business incubation, finance programs & directories, charrettes, conferences & workshops, research publications and reports, and hands-on assistance to small business.

Throughout the past year EFC9 has continued to work with both the public and private sectors to promote cleaner business. After laying the groundwork for several

The Region 9 EFC is working for greener communities through cleaner business by advancing the environmental industry and promoting pollution prevention

new initiatives, EFC9 has accomplished much in 2004 on the following projects: Western States green business program coordination, business and environment in Hawaii, environmentally beneficial behavior in television, continued follow-up to the Phoenix Arizona brickyard charrette, Region 9 Tribal initiative, and the Western Regional Pollution Prevention Network conference workshops and sessions.

Looking forward to 2005, the EFC will be undertaking several major new initiatives. The EFC will conduct two Green Business Program (GBP) summits to establish guidelines and a hierarchy for operating a statewide GBP program. Another effort involves product placement on TV and in the film industry known as *ACT Environmentally*. The EFC will expand on its successful work to date and increase its ability to place environmental products in more productions as well as showcase how these products are beneficial to the environment. The EFC also expects to work with salons and cosmetology schools in California to determine the potential health and environmental impacts of products used in salons. The focus of this pilot will be on common toxic salon products and potential alternatives. The EFC will identify available alternatives to key toxic chemicals and assess the barriers and opportunities within salons to adopt these alternatives.

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Region 10 – EFC at Boise State University

The Boise State EFC serves the Region 10 communities of the Pacific Northwest and the Intermountain states of Alaska, Idaho, Oregon and Washington. The EFC creates computer-based techniques and programs that provide important information for decision makers to use in financing environmental systems. Because of its specialized services and tools, the Boise State EFC has also served other communities throughout the country.

The major theme for the EFC this year has been the development of additional innovative software financing tools to respond to the needs of water and wastewater systems, as well as stakeholders involved in addressing non-point source water pollution challenges. The following are some of the new software tools made available to the regulated community throughout the country: Rate Checkup - a full-cost pricing model for water systems; System Development Fee Model –

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created to help water systems calculate the impact of new development and to design impact fees to recover those costs; Electronic Sanitary Survey - a sanitary survey data collection system operated on hand-held PDAs; Plan2Fund for Idaho - a financing and implementation model for application to the Clean Water Act Section 319 financing program; One Plan BMP Financing Model - identifies opportunities for watershed stakeholders to purchase additional BMPs to optimize water quality on privately-owned land; Arsenic Exemption Tool - assists staff unfamiliar with financial analysis by automatically generating a financial capacity report and, Capacity Tracker - supplies an annual “report card” on a utility system’s financial capacity and provides trend analysis as well.

Another important focus of the EFC has been on watershed financing activities. The EFC presented ten watershed funding workshops throughout Region 10 in 2004. Some of these workshops were at the intermediate level (focused on watershed stakeholders who are familiar with the watershed process but lack the knowledge and skills needed to weave together a funding strategy) and several were tailored to communities that have unique funding challenges. As part of the comprehensive financing tools made available to stakeholders working on watershed protection and restoration, workshop participants were provided with the Environmental Finance Center’s database of funding resources, which demonstrated how to acquire information on EPA and other federal, state, local and private funding sources. Among the tools developed by the EFC is a Directory of Watershed Resources, a database of funding sources that is being expanded nationally.